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Democrats' Risky Strategy: Trumpeting the Wealth Gap

By Deborah Solomon

WENTWORTH, N.C. -- Many Democratic politicians, shrugging off lessons of recent political history, see this as the year when the widening gap between the rich and the rest of America will help win them votes.

As a group of his constituents munched on pot roast and buttered green beans in a school cafeteria here, Rep. Brad Miller -- a two-term Democrat seeking re-election in a district spanning rural, suburban and urban communities -- launched into what he believes is a winning pitch.

"People who are doing well are doing very well," he said into a handheld microphone, his tie loosened as he walked among the tables

"The rich are doing just fine. But wages aren't budging for the majority of Americans."

The congressman's words resonate here. Although some voters are prosperous suburbanites, others in this district along the Virginia border have lost textile-mill jobs. They've been forced into lower-paying positions with fewer benefits and scant prospect for raises. Pamela Tucker, a mental-health worker from nearby Reidsville, says she can barely keep up. "Things are worse. The taxes, the price of health care, gas," she says. "People don't have the means."

Other Democrats -- including Michigan Sen. Debbie Stabenow in a tough re-election fight and Claire McCaskill in her challenge to Missouri incumbent Republican Sen. Jim Talent -- are sounding similar themes: The U.S. economy is growing, but the poor and especially the middle class aren't benefiting. The rich are. And President George W. Bush and a Republican Congress are to blame, they argue.

It's a risky bet. Government data do show an unambiguous trend toward a widening gap between the rich and everyone else, a trend that pre-dates Mr. Bush's election in 2000. And yet U.S. electoral history is littered with Democrats who tried to use the inequality issue only to find voters unswayed and Republicans accusing them of "class warfare" or business-bashing.

"The language of income distribution and income inequality is rarely effective in American politics," says political scientist William Galston, a domestic-policy adviser in the Clinton White House now at the Democratic-leaning Brookings Institution. While Americans may be unhappy that the rich are getting ahead while they're not, most still aspire to be rich and are turned off by candidates who demonize wealth, he says.

"There is little doubt that there has been a 25-year trend of a growing gap, sometimes called income inequality, between the wages of the skilled and the unskilled," says Edward Lazear, chairman of the White House Council of Economic Advisers. "While that trend shows no obvious signs of abating in the near future, by some measures inequality has slowed a bit in recent years."

Former Vice President Al Gore touched upon a "people versus the powerful" theme in his unsuccessful 2000 presidential bid. Some strategists say it failed because he didn't push it hard enough. Others say it failed because voters found the message polarizing. During a Democratic Leadership Council forum in 2002, Mr. Gore's running mate, Connecticut Sen. Joseph Lieberman, said the strategy made it "more difficult for us to gain support of the middle class, independent voters who don't see America as 'us versus them.'"

Four years later, Massachusetts Sen. John Kerry's running mate, then-Sen. John Edwards of North Carolina, spoke frequently about "two Americas" in which "one America does the work, while another America reaps the reward." They lost, too.

The one recent Democratic candidate to tap economic angst most successfully was Bill Clinton. He talked often in the 1992 campaign about how well the top 1% were doing while others were falling behind. After winning office, he persuaded Congress to raise taxes on the rich. But even his administration divided on how hard to push the issue after Democrats lost control of Congress in 1994. Two close advisers, Treasury Secretary Robert Rubin and Labor Secretary Robert Reich, sparred over the populist message.

"I had sat in on enough discussions about swing voters to feel that this crucial section of the electorate reacted badly to anything that sounded like class warfare," Mr. Rubin wrote in his book, "In an Uncertain World." Terms like "corporate welfare," a favorite of then Labor Secretary Reich, could inflame voters, Mr. Rubin said.

Many Democrats say this year the message could draw voters. "This is an issue they [Democrats] are talking about and should be talking about," says Stan Greenberg, a Democratic pollster.

While the war in Iraq continues to be a big issue, Mr. Greenberg and other strategists are advising Democratic candidates to talk often about the economic squeeze on their middle-class base. "Most people are seeing continuing financial pressure -- gas prices, health-care costs -- symbols that, when contrasted with the perception that the macro-economy is doing great and CEOs and others are doing very well, help to underscore what's happening and what's not happening," says Mr. Greenberg.

Some Republicans try to debunk the statistics Democrats cite, arguing that they overstate the income gap by looking at wages, while ignoring health and retirement benefits and tax breaks that help the working poor. Kevin Hassett, director of economic-policy studies at the Republican-leaning American Enterprise Institute, points to an increase in consumer spending as evidence that Americans are doing better than Democratic campaign themes suggest.

But other Republicans concede that Democrats may have a winning argument when it comes to economic issues this year -- inequality included. "We get clobbered among economy voters," says Republican pollster Tony Fabrizio. "The reason [Democrats] are doing this is they see the people who are uncomfortable about the economy as people who are more likely to vote for them in real numbers."

Since the last recession ended in 2001, the U.S. economy has grown nearly 15%, after inflation. Corporate profits have skyrocketed and the stock market has rebounded. Yet many Americans haven't seen paychecks grow fast enough to keep up with rising prices. While incomes at the top rose, adjusted for inflation, the median household income fell for five years in a row before turning up in 2005. It remains below its 1999 peak. The Census Bureau reports that the top 20% of households claimed 50.4% of all the income in 2005, up from 45.6% in 1985.

Even Treasury Secretary Henry Paulson has acknowledged the gap. "Amid this country's strong economic expansion, many Americans simply aren't feeling the benefits. Many aren't seeing significant gains in their take-home pay," he said in an August speech. In another talk, in September, he added, "I believe it is the responsibility for all nations to search for ways to moderate income disparities."

Voters are beginning to take notice of the trend. In early September, a Wall Street Journal/NBC News poll found the "gap between rich and poor" ranked as the No. 2 economic issue -- after "gas prices and energy costs." Voters most often blamed the gap on "excessive salaries and bonuses" and competition from companies and workers overseas. More than half said they disapproved of the way President Bush was handling the economy.

Economists cite a variety of factors for widening inequality. Technology has favored the most skilled and most educated, and hurt the less qualified.

Globalization has brought competition from millions of new workers around the globe, crimping wages for some workers while boosting demand for others. American unions have grown steadily weaker. And social mores have changed, tolerating much wider pay disparities within the same workplace, be it a manufacturer or a law firm.

Figuring out how to reverse the trend poses a problem for policy makers. Most Democratic candidates favor an increase in the minimum wage, modest proposals for college and child-care tax credits, rolling back some of Mr. Bush's tax cuts, and finding ways to shield Americans against rising gas prices. But beyond that, Democratic candidates haven't fleshed out a program for reversing inequality.

The centrist Democratic Leadership Council is pushing what it has dubbed the American Dream Initiative to counter the "mistaken belief that when the wealthy do even better, the middle class will eventually get their share." The plan, championed by New York Sen. Hillary Clinton, among others, also calls for giving every child a \$500 savings bond at birth so every American adult will have a nest egg.

While most candidates aren't citing income statistics on the stump, stagnant paychecks are a subtle, yet constant, thread in many campaigns. To skirt accusations of class warfare and business-bashing -- and to court swing voters -- Democrats focus not on the plight of the poor, but on the notion that middle class workers, despite being more productive than ever before, aren't being rewarded for their hard work.

"Unemployment has been low for some time now and it's pretty clear that the working man and woman is pretty unhappy with their lot and it's not because they're unemployed," says Alan Blinder, a Princeton University economist who worked in the Clinton White House and later was vice chairman of the Federal Reserve Board. "It's a combination of wages aren't going anywhere, people are losing health insurance and their pensions are under threat. And people are feeling it. At the same time, they're reading about this CEO or that CEO walking off with \$100 million for managing their company badly."

Among the most outspoken on the issue of inequality is Rep. Miller, a 53-year-old lawyer and former North Carolina state legislator. He has seized on the issue in stump speeches. He has peppered Federal Reserve Chairman Ben Bernanke and former Chairman Alan Greenspan with questions about inequality at House hearings. He frequently mentions the names and salaries of highly-paid CEOs in speeches and on the House floor.

Mr. Miller told the Wentworth crowd, for instance, that CEOs make an average of \$14 million a year. ***"Do we see the world through the eyes of Lee Raymond, who just left Exxon Mobil, making \$145,000 per day or do we see it through the eyes of the guys working for \$545 per week?" he asked. "That's the difference between Republicans and Democrats."***

While Mr. Miller is talking about wages, the conservative Republican underdog, Vernon Robinson, a former Winston-Salem city councilman dubbed by the local press as "the black Jesse Helms," is focusing on social issues -- particularly illegal immigration and making English the official U.S. language. He says he hasn't heard much concern from voters about wages, and terms Mr. Miller's focus on CEO pay "pretty esoteric," adding, "He's saying 'vote for me. I'll

make sure your boss gets paid less."

Other Democratic candidates are doing much the same as Mr. Miller, particularly in the Northeast and Midwest, where the economy is a big issue. In central Ohio, Democrat Mary Jo Kilroy, challenging Republican incumbent Rep. Deborah Pryce, talks frequently on the stump about gas prices, health-care costs and the minimum wage.

"I know how parents feel trying to put their kids through college. I hear all the time how it costs \$60 a week to fill up my car and how health care is an enormous cost for all people," Ms. Kilroy, a Franklin County commissioner, said in an interview. Ohioans, she said, are "upset with the economy and Congress and their willingness to give these tax breaks for the super wealthy and burden future generations with the deficit."

At a rally at Ohio State University earlier this year, Ms. Kilroy accused Ms. Pryce of "supporting deep cuts to student loans that will put college out of reach for some lower- and middle-class students."

Ms. Pryce's office says she has never supported cuts to student-loan programs. "Kilroy's campaign has been consistently negative on everything," says her spokesman, George Rasley. "So the fact that they would be negative on the economic situation in Columbus -- by some measures the seventh-best economy in the country -- is no surprise even though it's a big lie." Polls show Ms. Kilroy and Ms. Pryce neck-and-neck.

On the stump in Missouri, Ms. McCaskill, in a stiff race to unseat Sen. Talent, railed against Washington policies that protect "millionaires" at the expense of the middle class. She has proposed a middle-class tax-relief package, arguing that "Missouri's middle class has been overlooked while the Bush administration has given billions in tax cuts to big corporations and millionaires." She has called for an increase in the minimum wage, and criticized Republicans' eagerness to cut the estate tax.

Her campaign rhetoric sums up her message. "Washington should stop taking care of millionaires and start taking care of the middle class."